# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:1864
ANSWERED ON:01.08.2003
INTEREST RATES ON NRE ACCOUNTS
AMBATI BRAHMANAIAH

**Will the Minister of FINANCE be pleased to state:**

(a) whether RBI has stipulated that interest rates on new repatriable non- resident (NRE) accounts should not exceed 2.5% over LIBOR;

(b) if so, the reasons for this new RBI guideline regarding interest rates on NRE accounts;

(c) whether the Indian Banks are paying very high interest rates on NRE accounts; and

(d) if so, the steps proposed to be taken to reduce foreign exchange outflow by reducing the interest rates on such accounts ?

## Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI ANANDRAO V. ADSUL)

(a)&(b): Yes, Sir. Reserve Bank of India has issued directive advising banksthat the interest rates on Non-Resident External (NRE) deposit for one to three years should not exceed 250 basis points above the LIBOR/SWAPrates for US dollar for corresponding maturity. This was done in order to provide consistency in the interest rates offered by the banks to Non- Resident Indians.

(c)&(d): At present, the interest rates on FCNR (B) deposits are subject to aceiling of LIBOR/SWAP rates for the corresponding maturities minus 25 basis points, and generally conform to global interest rates in foreign currency deposits in US Dollar, pound sterling, euro etc.